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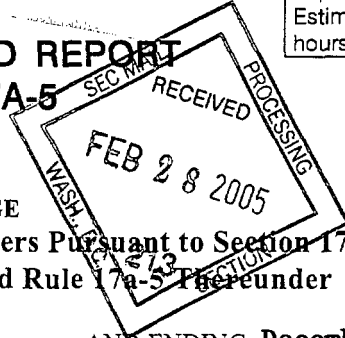
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**



SEC FILE NUMBER
8-47579

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2004 AND ENDING December 31, 2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ABAX Brokerage Services, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

31658 Roehen Road

(No. and Street)

Waller

Texas

77484

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Easley, Endres, Parkhill & Brackendorff, P.C.

(Name - if individual, state last, first, middle name)

1333 West Loop South, Suite 1400, Houston

Texas

77027

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

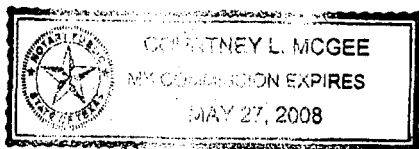
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OATH OR AFFIRMATION

I, Terri L. Hodges, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ABAX Brokerage Services, Inc., as of December 31, 20 04, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None



Terri L. Hodges
Signature

President

Title

Courtney McGee
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

☒ **Report on the Internal Control Structure**

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

ABAX BROKERAGE SERVICES, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2004 AND 2003

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INDEPENDENT AUDITORS' REPORT

February 21, 2005

Ms. Terri Hodges
ABAX BROKERAGE SERVICES, INC.
Houston, Texas

We have audited the accompanying statements of financial condition of ABAX BROKERAGE SERVICES, INC. as of December 31, 2004 and 2003, and the related statements of income, stockholder's equity and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABAX BROKERAGE SERVICES, INC. at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Easley, Endres, Parkhill
& Brackendorff, P.C.*

1333 West Loop South
Suite 1400
Houston, TX 77027
Phone: 713.622.0016
Fax: 713.622.5527

ABAX BROKERAGE SERVICES, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2004 AND 2003

		ASSETS	
		2004	2003
Cash		\$ 8,676	\$ 9,461
Accounts receivable		355	320
Total assets		<u>\$ 9,031</u>	<u>\$ 9,781</u>
		LIABILITIES AND SHAREHOLDER'S EQUITY	
Liabilities			
Accounts payable		\$ -0-	\$ -0-
Stockholder's equity			
Common stock with par value of \$.01 per share, 1,000 shares outstanding		10	10
Paid in capital		11,990	11,990
Retained earnings		<u>(2,969)</u>	<u>(2,219)</u>
Total stockholder's equity		<u>9,031</u>	<u>9,781</u>
Total liabilities and stockholder's equity		<u>\$ 9,031</u>	<u>\$ 9,781</u>

The accompanying notes are an integral
part of the financial statements.

ABAX BROKERAGE SERVICES, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
REVENUES		
Commissions	\$ 4,975	\$ 4,612
Other revenue	<u>17</u>	<u>21</u>
Total revenues	<u>4,992</u>	<u>4,633</u>
EXPENSES		
Regulatory fees and expenses	1,110	1,027
Office and other operating expenses	<u>2,132</u>	<u>1,770</u>
Total operating expenses	<u>3,242</u>	<u>2,797</u>
NET INCOME	<u>\$ 1,750</u>	<u>\$ 1,836</u>

The accompanying notes are an integral
part of the financial statements.

ABAX BROKERAGE SERVICES, INC.
STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>Common Stock</u>	<u>Paid in Capital in</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2002	\$ 10	\$ 11,990	\$ (2,055)	\$ 9,945
Net income			1,836	1,836
Distributions			(2,000)	(2,000)
Balance, December 31, 2003	10	11,990	(2,219)	9,781
Net income			1,750	1,750
Distributions			(2,500)	(2,500)
Balance, December 31, 2004	<u>\$ 10</u>	<u>\$ 11,990</u>	<u>\$ (2,969)</u>	<u>\$ 9,031</u>

The accompanying notes are an integral
part of the financial statements.

ABAX BROKERAGE SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,750	\$ 1,836
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in cash related to changes in assets:		
Accounts receivable	<u>(35)</u>	<u>10</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,715</u>	<u>1,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-0-</u>	<u>-0-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions	<u>(2,500)</u>	<u>(2,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH AND CASH EQUIVALENTS	(785)	(154)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,461</u>	<u>9,615</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,676</u>	<u>\$ 9,461</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
INTEREST PAID	<u>\$ -0-</u>	<u>\$ -0-</u>
TAXES PAID	<u>\$ -0-</u>	<u>\$ -0-</u>

The accompanying notes are an integral part of the financial statements.

ABAX BROKERAGE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

ABAX BROKERAGE SERVICES, INC. (the "Company"), was formed under the laws of the State of Texas on August 3, 1994. The Company commenced operations as a registered broker-dealer in October 1994, and is registered with the Securities and Exchange Commission (the Commission) pursuant to Rule 15(b) of the Securities Exchange Act of 1934.

The Company currently restricts its business to retailing mutual funds on subscription basis to its customers.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers cash and highly liquid investments with maturities of three months or less when purchased to be cash and cash equivalents.

Revenue Recognition

Commission income on mutual fund transactions is recognized when distributed from mutual funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company has elected S Corporation status for federal income tax purposes and as such does not pay any income taxes. Accordingly, the Company's net income is reported on the personal tax return of the stockholder(s).

NOTE 2: LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

During 2004 and 2003, there were no liabilities subordinated to claims of general creditors. Accordingly, a statement of changes in liabilities subordinated to claims of general creditors has not been included in these financial statements.

ABAX BROKERAGE SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3: NET CAPITAL REQUIREMENTS

The Company is subject to the net capital rules adopted and administered by the Securities and Exchange Commission. The rules prohibit a member from engaging in securities transactions if the ratio of its aggregate indebtedness, as defined, to net capital exceeds 15 to 1. At December 31, 2004 and 2003, the Company had no indebtedness, and its net capital of \$9,031 and \$9,781, respectively, was in excess of the minimum net capital required of \$5,000.

SUPPLEMENTAL
INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION REQUIRED
BY RULE 17A-5 OF THE SECURITIES AND EXCHANGE COMMISSION

February 21, 2005

Ms. Terri Hodges
ABAX BROKERAGE SERVICES, INC.
Houston, Texas

We have audited the accompanying financial statements of ABAX BROKERAGE SERVICES, INC. as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated February 21, 2005. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. This schedule is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Easley, Endres, Parkhill
& Brackendorff, P.C.*

ABAX BROKERAGE SERVICES, INC.

COMPUTATION OF NET CAPITAL

DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Net capital	\$ 9,031	\$ 9,781
Haircuts and other adjustments	<u>-0-</u>	<u>-0-</u>
Net capital pursuant to Rule 15c3-1	<u>\$ 9,031</u>	<u>\$ 9,781</u>

STATEMENT PURSUANT TO PARAGRAPH (d)(4) OF RULE 17a-5

The differences between this computation of net capital pursuant to Rule 15c3-1 and the corresponding computation prepared by ABAX Brokerage Services, Inc. and the Company's unaudited Part II A FOCUS report filing as of December 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Net capital	\$ 9,031	\$ 9,781
Net audit adjustments for accounts receivable	<u>(355)</u>	<u>(320)</u>
Net capital per December Focus report	<u>\$ 8,676</u>	<u>\$ 9,461</u>

STATEMENT OF OMITTED SUPPLEMENTAL DATA

The Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3 and the Information Relating to Possession or Control Requirements Under Rule 15c3-3 have been omitted because ABAX Brokerage Services, Inc. is exempt from the requirements of Rule 15c3-3 under condition (k)(2)(ii). The conditions of the exemption were being complied with as of December 31, 2004 and no facts came to our attention to indicate that the exemption had not been complied with during the fiscal year ended December 31, 2004.

See accompanying auditors' report.

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE

February 21, 2005

Ms. Terri Hodges
ABAX BROKERAGE SERVICES, INC.
Harris County, Texas

In planning and performing our audit of the financial statements and supplemental schedules of ABAX BROKERAGE SERVICES, INC. (the "Company") for the year ended December 31, 2004, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of

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an internal control structure, and the practices and procedures, are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, NASD, and other regulatory agencies that rely on rule 17a-5(g) under the securities Exchange Act of 1934 in their regulation for registered brokers and dealers, and should not be used by anyone other than the specified parties.

*Easley, Eudres, Partridge
& Brackendorf, P.C.*